

Risk Management

Approach to risk management

The Kirin Group defines risk as uncertainty with the potential to seriously impede the accomplishment of business targets or impact business continuity. A “crisis” refers to a situation in which a risk is actualized at a certain point and therefore needs to be addressed on an urgent basis.

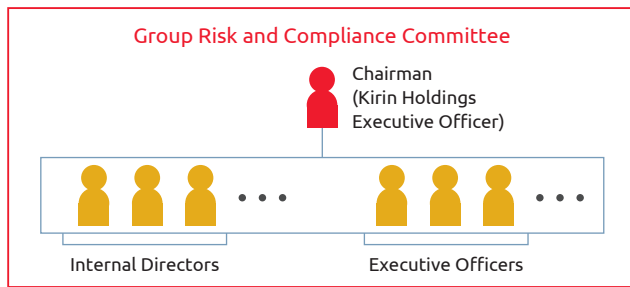
The Kirin Group’s basic risk management policy is to seek to prevent risk from being actualized, to effectively maintain compliance, and to continue earning the trust of customers, employees, shareholders, and society over the long term.

Risk management structure

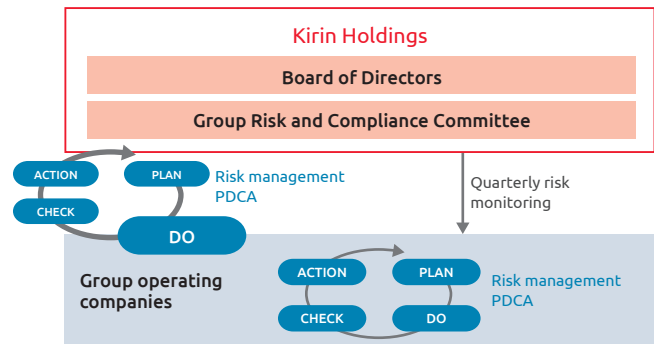
The Kirin Holdings Group Risk and Compliance Committee oversees the risk management activities of the Kirin Group. Kirin Holdings internal directors and executive officers serve on the committee, and an executive officer serves as the committee chair.

Each Kirin Group company also has a committee dedicated to risk management. The risk management committees of Kirin Holdings and the Kirin Group companies meet quarterly to conduct risk monitoring.

Risk management structure



Risk management PDCA cycle



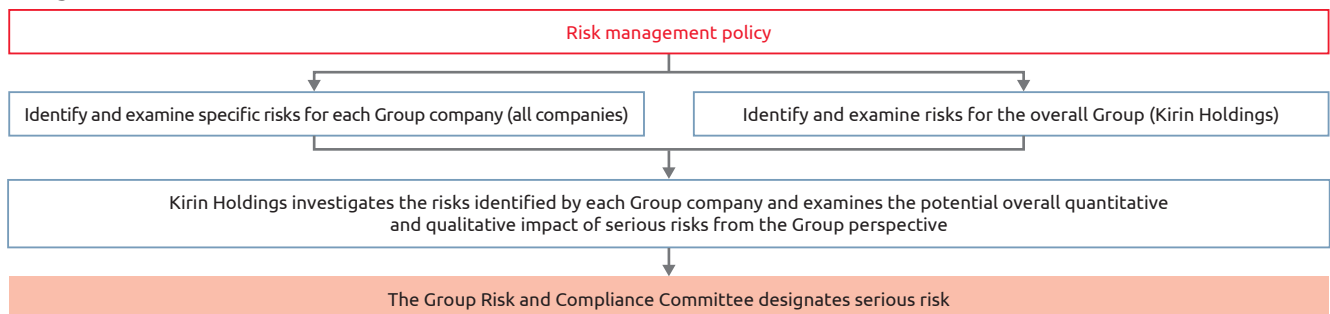
Process for designation of serious risk

Kirin Group companies, in conformance with the group risk management policy, identify and examine the quantitative and qualitative risk associated with their business activities.

The Group Risk and Compliance Committee Administrative Office (Kirin Holdings Corporate Strategy Department) sur-

veys and investigates all risks. The committee defines serious risks to the Group as risks considered to have a potentially strong impact, a high likelihood of occurring, or widespread ramifications.

Designation of serious risk



Business risk impact and countermeasures

The Kirin Group quantitatively and qualitatively evaluates the potential impact and probability of occurrence of each risk. Risks determined to have a strong potential impact are designated as serious risks. The Group communicates the serious risks to the executive managements of Kirin Holdings and

each group company, establishes clear roles for each company and department, and prescribes risk reduction measures. The Group regularly monitors the risk conditions and the progress with countermeasures and when necessary reviews the status of the serious risks.

Serious risks in each business domain

	Serious risk	Potential impact on business	Countermeasures
1. Food & Beverages domain (Alcoholic & non-alcoholic beverages businesses)	Changes in consumer preferences, such as from price polarization and diversification of preference, alter the market environment and competition and impact sales of core products	The Group's competitive advantage weakens due to sales of core products falling short of targets	Strengthen customer-centric marketing capability to maintain and cultivate strong brand power
	The impact of climate change, torrential rain, drought, unusually cold summers, weather abnormalities or large-scale natural disasters such as an earthquake	Supply chain disruptions halt or delay product deliveries	Expand and strengthen delivery capabilities; prepare and implement a business continuity plan; establish crisis task forces
2. Pharmaceuticals domain (Pharmaceuticals & Bio-chemicals businesses)	Inability to adequately accelerate business overseas along with developing and launching global strategic products	Delayed business development	Develop business in Europe, the United States, and Asia; establish a firm foundation for sustained business growth
	Technical or legal problems at manufacturing and logistics facilities	Product supply disruption, delay, or shortages	Formulate a global supply chain management structure
3. Businesses bridging Pharmaceuticals and Food & Beverages	Slow progress formulating a competitive business model and suitable organizational and governance structures	Stalled establishment or fostering of new businesses	<ul style="list-style-type: none"> • Use Kirin Group expertise and experience to develop businesses • Incorporate insight received from customers into our operations and improve our organizational ability to integrate customer insight

Opportunity, risk, and our plan for businesses bridging Pharmaceuticals and Food & Beverages

With the amazing advances in medical technology helping people enjoy longer lives, attention in Japan and overseas is starting to focus on health management and disease prevention, or what is being called the “pre-disease” area between being healthy and being treated for illness. We believe this is an opportunity for us to carry out the Kirin Group mission to contribute to resolving social issues and are applying our expertise and strengths in the food and health fields to create “businesses bridging Pharmaceuticals and Food & Beverages,” which will be a pillar of the Group’s future growth.

At the same time, we are fully aware that creating new businesses is a huge undertaking involving not just formulating a winning business model but also establishing effective organizational and governance systems, conducting new research, and developing new technologies. Without being fully developed in each of these areas, business launches could be delayed and business plans could be put on hold. To ensure success, the Kirin Group is organizing a group-wide effort to utilize our expertise and experience gained from

the successful development of products like the *iMuse* with *Lactococcus lactis* strain plasma. We are developing innovative products and formulating a business model for long-term business growth.

We also know that it is essential to use new information and communications technology (ICT) and to ally with specialists and business operators outside the Group to effectively develop markets, cultivate sales, and advance R&D for the new businesses. To this end, the Kirin Group is applying insight derived from a deeper understanding of customers to create ICT platforms and solutions and is enhancing its organizational capabilities by infusing our human resources with people offering diverse perspectives and expertise. The Group is also actively promoting open innovation, establishing legal, internal and external regulation, and social norm compliance and quality assurance systems, and utilizing productivity assessments to set investment parameters and budgets. In addition, the Group is carrying out extensive due diligence prior to business and capital alliances and monitoring subsequent business activities.

Climate-related risks and scenario analysis based on TCFD initiative

The Kirin Group was the first company in the Japanese food & beverage industry to endorse the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The Group conducted a trial scenario analysis following the TCFD recommendations from January to May 2018 to assess the impact of climate change on its business.

The analysis confirmed that by the end of this century climate change would likely have a major impact on the agricultural products that are important raw materials for the Group. We also reconfirmed that existing strategies, such as supporting tea estates to obtain sustainability certifications,

sourcing materials for our paper container and packaging forests, preserving water resources and reducing greenhouse gas emissions, are strengthening our resilience to the impacts of climate change.

We are applying the information we learn from the trial analysis to strengthen our business planning. We are presently in the very early stage of comprehending the full environment impact of climate change on our financial operations and are deepening our examinations of transition risk scenarios.



Further details related to our climate-related scenario analysis are available in the Kirin Group Environmental Report online at: https://www.kirinholdings.co.jp/english/csv/report/env/pdf/environmental2018_2_06e.pdf

Action to plastic waste issue

The Kirin Group established the Kirin Group Plastic Policy in February 2019 to specifically address the issue of plastic waste, one of the most pressing environment-related social issues. The Kirin Group understands the fundamental challenges concerning the use of plastic, and we are accelerating efforts regarding the use of plastic containers, packaging, and other items by group companies to promote the sustainable use of plastic and resource circulation.

Promoting resource circulation of PET bottles

The Kirin Group is actively promoting resource circulation of its PET bottles and aims to increase its recycled plastic ratio in Japan to 50% by 2027 while also redesigning its PET bottles, such as trimming the weight of its bottles, to improve the sustainability of PET raw materials. We are also seeking alternative sustainable materials to reduce the use of single-use plastic by our group companies.



The Kirin Group Plastic Policy is online at: https://www.kirinholdings.co.jp/english/news/2019/0207_01.html

Further details on the Kirin Group activities to reduce plastic waste are available online at: https://www.kirinholdings.co.jp/english/csv/report/env/pdf/environmental2018_2_04e.pdf

Human rights impact assessment for our Myanmar operations

The Kirin Group inaugurated its Human Rights Policy in February 2018 and has since been actively working to address human rights issues related to its group operations. The first step under the policy was to work with outside experts to determine the scope of a human rights impact assessment, and in May 2018 we conducted a human rights assessment of our operations in Myanmar in reference to local laws and the conventions of the International Labor Organization. After conducting a further assessment in June of that year, we convened a meeting of outside experts, advisors, and local stakeholders who determined that our operations in Myanmar presented a relatively high level of risk of negative human rights impacts in the areas of occupational safety and health, workers' rights, forced labor, child labor, supply chain working conditions, and impact on local communities.

We then applied what we learned to categorize areas where our business practices and policies created high risk of

negative impacts on human rights, areas to improve, and areas to monitor, and we further set specific action targets to achieve by 2021. We are putting particular effort into strengthening rice supply chain management and transparency.



Meeting with rice farmers

The Kirin Group will continue to follow international standards and employ best practices and will regularly review and revise its business practices and action targets as we step up activities to ensure we conduct our operations with full respect for human rights.



Further details on the Kirin Group human rights impact assessment for our Myanmar operations are online at: https://www.kirinholdings.co.jp/english/csv/human_rights/pdf/myanmar_en.pdf